

D.B. FITZPATRICK & Co., INC. - MBS PORTFOLIO
DOMESTIC FIXED: LEHMAN MORTGAGE BENCHMARK

FOR THE MONTH OF: **DECEMBER** **2007**

MANAGER PERFORMANCE CALCULATIONS

** Annualized returns*

	Last <u>Month</u>	Last <u>3 Months</u>	Last <u>1 Year</u>	Last <u>3 Years*</u>	Last <u>5 Years*</u>
DBF MBS	0.31%	3.02%	6.76%	4.80%	4.21%
Lehman Mortgage	0.28%	3.06%	6.89%	4.90%	4.49%

PORTFOLIO ATTRIBUTES

<u>Characteristics</u>	<u>DBF</u>	<u>Leh Mtge</u>
Market Value (\$ m)	\$176.53	N/A
Weighted Average <i>Effective</i> Duration (in years)	3.3	3.0
Weighted Average Yield (in %)	5.3%	5.4%
Weighted Average Coupon (in %)	5.5%	5.5%

PERFORMANCE ATTRIBUTION & STRATEGY COMMENTS

The PERSI MBS portfolio outperformed the Lehman Mortgage Index by 3 basis points during December. This was the result of a slightly higher concentration of 6% and 6.5% coupon MBS than the index, and also fortuitous timing of a security purchase late in the month before interest rates fell.

While we expect a significant slowdown in U.S. economic growth (sub 2%) heading into 2008, we don't believe the economy will fall into recession. We believe inflation may remain a concern and it will hinder the Fed's willingness to cut rates much more than they already have. We believe the biggest risk at this point is for the Fed to be overly accommodative as the economy slows.

MANAGER STYLE SUMMARY

DBF's MBS (Mortgage Backed Security) portfolio is a "core" holding which attempts to generally track the returns of the Lehman Mortgage Index. Excess returns are added through security selection and interest rate bets, although such bets are expected to be limited and relatively low-risk. DBF also manages the Idaho Mortgage Program in conjunction with this portfolio -- the MBS portfolio serves as a "cash reserve" of sorts, to fund mortgages managed through the Idaho Mortgage Program. Consequently, we expect this portfolio to hold traditional MBS instruments and to maintain a reasonably healthy status, with no significant bets which could go significantly awry.

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PORTFOLIO GUIDELINE COMPLIANCE

DECEMBER 2007

Portfolio Guideline:		DBF	Min	Max	Compliance
B2.	Minimum portfolio size	\$177	\$50		ok
B2a. Security Type:					
MORTGAGE RELATED		100%	80%	100%	ok
Generic MBSs		100%	75%	100%	ok
GNMAs		7.4%			
FNMAs		53.4%			
FHLMCs		38.7%			
CMOs		0.0%	0%	25%	ok
NON-MORTGAGE RELATED		0.0%	0%	20%	ok
Treasuries		0.0%	0%	20%	ok
Agencies		0.0%	0%	20%	ok
Cash		0.5%	0%	10%	ok
Attributes:	▼ Leh Mtge				
Duration	3.0	3.3	1.0	5.0	ok
Coupon	5.5%	5.5%	4.5%	6.5%	ok
Quality	AAA+	AAA+	AAA		ok
B3.	Individual Securities excluding Treasuries as a % of portfolio		0%	5%	ok
B4.	Number of securities	43	25	50	ok
E2.	Annual Turnover	11%	0%	25%	ok
The portfolio is in compliance with all other aspects of the Portfolio Guidelines				<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No

MANAGER EXPLANATIONS FOR DEVIATIONS FROM PORTFOLIO GUIDELINES

ORGANIZATIONAL/PERSONNEL CHANGES

ACCOUNT TURNOVER

Gained:	Number of Accounts:	0	Total Market Value (\$m):	\$	-
Lost:	Number of Accounts:	0	Total Market Value (\$m):	\$	-
	Reason(s):	N/A			